



DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[REG-121509-00]

RIN 1545-AY54

Exclusion From Gross Income of Previously Taxed Earnings and Profits, and
Adjustments to Basis of Stock in Controlled Foreign Corporations and of Other Property

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Withdrawal of notice of proposed rulemaking.

SUMMARY: This document withdraws a notice of proposed rulemaking published in the Federal Register on August 29, 2006. The notice of proposed rulemaking relates to the exclusion from gross income of previously taxed earnings and profits under section 959 of the Internal Revenue Code (the “Code”) and related basis adjustments under section 961 of the Code.

DATES: The proposed regulations are withdrawn on **[INSERT DATE OF PUBLICATION OF THIS DOCUMENT IN THE FEDERAL REGISTER]**.

FOR FURTHER INFORMATION CONTACT: Joshua P. Roffenbender, (202) 317-6934, or Chadwick Rowland, (202) 317-6937 (not toll-free numbers).

SUPPLEMENTARY INFORMATION:

Background

On August 29, 2006, the Treasury Department and the IRS issued a notice of proposed rulemaking relating to the exclusion from gross income of previously taxed earnings and profits under section 959 and related basis adjustments under section 961 (71 FR 51155), corrections to which were published in the **Federal Register** on December 8, 2006 (71 FR 71116) (together, the “2006 proposed regulations”). On

December 14, 2018, the Treasury Department and the IRS issued Notice 2019-01 (2019-02 I.R.B. 275), which announced an intent to withdraw the 2006 proposed regulations and issue a new notice of proposed rulemaking under sections 959 and 961 (the “new proposed regulations”).

This document withdraws the 2006 proposed regulations. Those proposed regulations were never finalized, never went into effect, and did not indicate that taxpayers could rely on them. Withdrawing the proposed regulations at this point will help prevent possible abuse or other misuse of them—such as inappropriate basis adjustments in certain stock acquisitions to which section 304(a)(1) applies—while the Treasury Department and the IRS continue to develop the new proposed regulations. The IRS may, where appropriate, challenge taxpayer positions giving rise to inappropriate results.

List of Subjects in 26 CFR Part 1

Income Taxes, Reporting and recordkeeping requirements.

Withdrawal of a Notice of Proposed Rulemaking

Accordingly, under the authority of 26 U.S.C. 7805, the notice of proposed rulemaking (REG-121509-00) published in the **Federal Register** on August 29, 2006 (71 FR 51155), corrections to which were published in the **Federal Register** on December 8, 2006 (71 FR 71116), is withdrawn.

Douglas W. O'Donnell,
Deputy Commissioner for Services and Enforcement.